ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Flagstar Bancorp, Inc.

Person to be contacted regarding this report:	Danielle Tatum	RSSD: (For Bank Holding Companies)	
CPP Funds Received:	$266,657,000	Holding Company Docket Number: (For Thrift Holding Companies)	H-2224
CPP Funds Repaid to Date:	$0	FDIC Certificate Number: (For Depository Institutions)	32541
Date Funded (first funding):	1/30/2009	City:	Troy
Date Repaid[1]:		State:	Michigan

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

☒	Increase lending or reduce lending less than otherwise would have occurred.	During February 2009, our loan originations increased to $3.3 billion from $2.9 billion in January as a result of the additional infusion of capital. As a result, the CPP capital allowed us to eventually originate $4.3 billion of the $32.3 billion of residential loans we originated during 2009.

☒	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The CPP funds were used to increase the Bank's ability to originate residential mortgage loans throughout the nation and, because of the Bank's sale of those loans as part of its mortgage banking operations, sustain such increase during the remainder of 2009.
☐	Increase securities purchased (ABS, MBS, etc.).	During 2009 we did not increase our purchase of securities. Instead, total securities declined to $0.9 billion at December 31, 2009 from $1.7 billion at December 31, 2008.
☐	Make other investments	No other investments were made
☒	Increase reserves for non-performing assets	At December 31, 2009, we increased our reserves for loan losses to $524 million as compared to a reserve at December 31, 2008 of $376 million.

☒	Reduce borrowings	During 2009, we decreased rather than increased our borrowings, reducing our Federal Home Loan Bank advances to $3.9 billion at December 31, 2009 from $5.2 billion at December 31, 2008.
☐	Increase charge-offs	We also increased our charge-offs, net of recoveries, to $356.4 million during 2009 as compared to $72.0 million in net charge-offs during 2008.
☐	Purchase another financial institution or purchase assets from another financial institution	The Company did not purchase another financial institution, or any assets of another financial institution, during 2009.
☐	Held as non-leveraged increase to total capital	We do not consider the CPP capital as having been held as a non-leveraged increase to total capital. Instead, it was used to increase the Bank's ability to originate additional residential mortgage loans throughout the nation for the entire year.

What actions were you able to avoid because of the capital infusion of CPP funds?

There were no other actions the Company was able to avoid as a result of the capital infusion of the CPP funds.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

(1) The Company received its CPP capital of ($266.7) million on January 30, 2009. Upon receipt, all of these funds were immediately invested into the Bank and used to increase the Bank's ability to originate residential mortgage loans throughout the nation. During February 2009, our loan originations increased to $3.3 billion from $2.9 billion in January as a result of the additional infusion of capital. These loans are securitized by us through Fannie Mae or Freddie Mac and then sold into the marketplace in a cycle that takes about (45) days on average. As a result, the CPP capital allowed us to eventually originate $4.3 billion of the $32.3 billion of residential loans we originated during 2009, the total of which was an increase from the $28.0 billion of residential loans we originated during 2008.

Further, we increased our warehouse lending, which are loans to mortgage companies and banks that allow them to originate loans as well. During February 2009, we originated warehouse loans totaling $708.7 million, as compared to $665.4 million in January 2009.

During 2009 we did not increase our purchase of securities. Instead, total securities declined to $0.9 billion at December 31, 2009 from $1.7 billion at December 31, 2008.

During 2009, we decreased rather than increased our borrowings, reducing our Federal Home Loan Bank advances to $3.9 billion at December 31, 2009 from $5.2 billion at December 31, 2008. This decline was offset by the increase in our deposit base, to $8.8 billion at December 31, 2009 from $7.8 billion at December 31, 2008.

At December 31, 2009, we increased our reserves for loan losses to $524 million as compared to a reserve at December 31, 2008 of $376 million. We also increased our charge-offs, net of recoveries, to $356.4 million during 2009 as compared to $72.0 million in net charge-offs during 2008. These changes comprise the total loan loss provision expense on our income statement for 2009 of $504 million. The impact on the Bank's regulatory capital of this increase was substantially offset by the $501 million of revenue earned by the Bank during 2009 from its gain on loan sales

The Company did not purchase another financial institution, or any assets of another financial institution, during 2009.

Based on the foregoing, we do not consider the CPP capital as having been held as a non-leveraged increase to total capital. Instead, it was used to increase the Bank's ability to originate residential mortgage loans throughout the nation and, because of the Bank's sale of those loans as part of its mortgage banking operations, sustain such increase during the remainder of 2009.

Other than as noted in (1) above, there were no actions that the Company was able to undertake that it may not have taken without the capital infusion of the CPP funds.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

There were no other actions that the Company was able to undertake, other than noted in (1) above, that it may not have taken with out the capital infusion of the CPP funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.